

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
Trademark Trial and Appeal Board
2900 Crystal Drive
Arlington, Virginia 22202-3513

Skoro

Cancellation No. 26,569

International Nutrition
Company

v.

Horphag Research, Ltd.

Before Cissel, Quinn and Hairston, Administrative Trademark
Judges.

Horphag Research, Ltd. owns U.S. Registration No. 1,769,633, for PYCNOGENOL for "dietary and nutritional supplements"¹. On August 4, 1997, International Nutrition Company (INC) filed a petition to cancel the registration, claiming that it owns various foreign registrations for PYCNOGENOL for nutritional products; that it distributes its products in the United States; that it has rights to the mark from a Dr. Masquelier, the original owner of the mark; that respondent obtained its registration through fraud; and that respondent's registration is in violation of the Paris Convention.

¹ Issued May 11, 1993, claiming dates of first use and first use in commerce of December 22, 1987.

On October 24, 1997, respondent filed a motion for summary judgment on the grounds of *res judicata* or claim preclusion.² Petitioner responded with a request for discovery under Fed. R. Civ. P. 56(f). By order dated March 13, 1998, petitioner's discovery request was denied because respondent's motion dealt with a question of law and it was determined that discovery was not necessary to respond to the motion. Petitioner filed its opposition to respondent's motion for summary judgment on April 13, 1998, and respondent filed a reply.³

In support of its motion for summary judgment respondent asserts there are three prior proceedings which provide the basis for its claim of *res judicata*⁴: (1) Opposition No. 84,755, "SCERPA v. Horphag Overseas Ltd."; (2) a civil action in the Eastern District of New York, "Horphag Research Ltd., MW International, Inc., SCIPA and SCERPA v. Consac Industries"; and (3) Cancellation No.

² The term *res judicata* is a broad phrase used to refer to the distinctive effects of a judgment and encompasses claim preclusion and issue preclusion.

³ The parties have also filed supplemental submissions. In addition, petitioner filed a motion to strike respondent's motion for summary judgment as a sanction for filing its supplemental submission. In that these filings do not address the issue before the Board, they have not been considered, and the motion to strike is denied.

⁴ In this case, no issues were actually litigated in any of the prior proceedings, all having been dismissed before a trial was had on the merits. Thus, issue preclusion does not apply, and if *res judicata* applies, it can only rest on principles of claim preclusion, that is, that the prior judgment bars the same claim.

24,301, "INC and INC Agency v. Horphag Research Ltd." Respondent argues that these cases all involved the same claim and that while these prior proceedings were dismissed, judgment by default is just as conclusive for purposes of *res judicata*; and that petitioner or its privies had a full opportunity to litigate the same claim and adverse final judgments were entered. To establish its allegation that the claims involved were identical, respondent compares the allegations in Opposition No. 84,755 and Cancellation No. 24,301 with the current petition to cancel, and concludes that the questions presented and actually litigated in the prior proceedings are the same as the ones raised here. To establish its allegation that the parties, in particular, the parties in the position of plaintiff, are identical or in privity with petitioner, respondent points to a Mr. Egbert Schwitters who, according to respondent, is the person who controlled all of these proceedings⁵ and that SCERPA⁶ was the successor to the same property "right" as petitioner is.⁷

⁵ Mr. Schwitters was the Director of petitioner in prior Canc. No. 24,301 who signed the interrogatory responses.

⁶ SCERPA (Societe Civile pour l'Expansion de la Recherche en Phytochimie Applique) was founded on January 10, 1989 by Mr. Jack Masquelier to hold the trademark rights to PYCNOGENOL. The mark was registered in France on March 30, 1989.

⁷ By this statement we understand respondent to mean that the French trademark registration which was originally held by SCERPA, was subsequently assigned to petitioner.

Petitioner responds that the claims presented in each proceeding differ and there has never been a determination of petitioner's present allegations directed to fraud upon the Office or the alleged violation of the Paris Convention by respondent. Additionally, petitioner notes that the prior proceedings identified by respondent did not resolve any issues: the opposition was dismissed for failure to prosecute; the cancellation was dismissed without prejudice before an answer was filed; and the civil litigation did not involve a request for cancellation, and SCERPA's cross-claims were dismissed with prejudice, having been withdrawn by SCERPA because it no longer had an interest in the mark. In responding to the allegations of the identity of the parties, petitioner states there was no alignment of any legal interest to establish privity.

Respondent has filed a reply.⁸

The ground for respondent's motion for summary judgment rests upon an issue of law: whether petitioner is precluded from bringing this action based on *res judicata*. *Res judicata* is a doctrine of claim preclusion which operates between the parties simply by virtue of a final judgment on the merits by one court which merges the claim if the

⁸ We do not believe a reply brief is warranted and we have not considered respondent's reply brief because it does not address the issue of *res judicata*, but rather argues the merits of the fraud issue, which is not before the Board in this motion for summary judgment.

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plaintiff prevails, or works as an absolute bar to a later identical suit, if the defendant prevails. See, Wright, Miller & Cooper, Federal Practice and Procedure:

Jurisdiction § 4402. For the doctrine to apply, the final judgment must be entered on the merits, and the second suit must involve the same parties or their privities and the same cause of action. The doctrine applies even in those cases where the prior judgment was the result of a default or consent.

An examination of the identified proceedings and the parties is all that is required to make a determination of whether petitioner is barred under the doctrine of *res judicata* from proceeding in this matter.

Opposition No. 84,755

Filed with the Board on March 18, 1991, this proceeding was brought by a French company, SCERPA, against Horphag Overseas Ltd., respondent's predecessor in interest. Thus, there is no question that the defendant in both proceedings is the same.⁹ To establish that SCERPA and the current

⁹ In traditional terminology, it has been said that a judgment is binding only on parties or persons in "privity" with them. Pertinent to the instant case, privity includes persons holding successive interests in the same property or claim and thus a judgment is binding on a nonparty receiving a transfer after judgment or while suit is pending. See Wright, Miller & Cooper Federal Practice and Procedure: Jurisdiction § 4462. The application and resulting registration, which is the subject of

petitioner, International Nutrition Company (INC), are the same, respondent alleges that Mr. Schwitters is the alter-ego of both SCERPA and International Nutrition Company.¹⁰

Petitioner argues that Mr. Schwitters was not the party in control of SCERPA. Mr. Schwitters states through his declaration that SCERPA owned rights in the subject trademark in the late 1980's (Schwitters Dec. & 3). Mr. Schwitters further states that the opposition was partially funded by Holland Health BV, a Dutch company (Schwitters Dec. & 5) of which Mr. Schwitters was a partner, but not an owner, between 1990 and early 1992 (Schwitters Dec. & 6). Mr. Schwitters does identify himself as one of three directors of the current petitioner (Schwitters Dec. & 1).

To decide respondent's alter ego theory would require piercing the corporate veil of SCERPA, which is unnecessary to reach a decision on whether petitioner should be bound by the previous judgment. Successive property relationships

this proceeding, was assigned to respondent and the assignment was recorded in the Office.

¹⁰ Respondent points to a statement made by a magistrate in the Eastern District of New York case that INC and Schwitters are the same. Respondent also contends that a personal proxy was given to Mr. Schwitters and Peter Mulder from SCERPA. The supporting documents state that "the proxies and Holland Health BV will have the right to use and trademark at their expense and in their name the trademark PYCNOGENOL in all countries except France." And that "SCERPA will concede to the proxies the exclusive license for these countries: the United States..." (Adler Declaration, Exhibit G; see also Declaration of Jack Masquelier, para. 13). There is no question that Mr. Schwitters is a Director of INC.

provide a basis for extending claim preclusion in this case. Ordinarily a judgment is binding on a nonparty who takes a transfer from a party after judgment. See, Wright, Miller & Cooper, *supra*, at ¶ 4462. SCERPA assigned its rights in the French trademark to INC on March 7, 1994, and judgment had been entered in Opp. No. 84,755 in October, 1992. At the time of the assignment INC was well aware of the litigation surrounding the rights in this mark because both parties were involved in civil litigation in the Eastern District of New York,¹¹ and INC had filed its petition to cancel in Canc. No. 24,301 in 1995.

¹¹ See, Horphag Research Ltd, MW International Inc.; SCIPA and SCERPA v. Consac Industries; Horphag Research Ltd. and MW International Inc. v. INC and Egbert Schwitters. This litigation originated on June 3, 1993, in the Eastern District of New York with Horphag Research Ltd. and MW International Inc. suing Consac Industries for infringement of Horphag's registered U.S. trademark and for patent infringement. Consac brought a declaratory judgment action on October 15, 1993 against SCIPA and SCERPA to have the patent declared invalid. At the time SCERPA owned rights to the French trademark (Schwitters Dec. & 3), and SCIPA owned a 50% interest in the patent rights. On March 7, 1994, SCERPA transferred its French trademark rights and its 50% interest in the patent to INC. (Masquelier Dec. & 16 and Exhibit K thereto). Prior to the transfer of interests, Consac moved to transfer and consolidate the declaratory judgment action with the infringement proceeding in the Eastern District of New York, which was granted on March 25, 1994, after the transfer of the intellectual property rights. Now joined in the infringement action, SCERPA asserted on April 8, 1994, cross-claims against Horphag and MW. The claim relevant to the matter now before the Board was that Horphag fraudulently misappropriated SCERPA's trademark in the United States in violation of an agreement. See, Horphag Research Ltd. v. Consac Industries Inc., 42 USPQ2d 1567, 1568-69 (Fed. Cir. 1997). The cross-claims were dismissed against Horphag and MW on November 16, 1994 with prejudice, but the court stated the dismissal was without prejudice as to any counterclaims Horphag and MW may have against SCIPA or SCERPA in the United States. Horphag and MW International settled their

We find, further, that in the current petition to cancel, INC states that it has rights in the same trademark, through the same chain of title, as SCERPA asserted in Opposition No. 84,755.

A review of the notice of opposition in Opposition No. 84,755, reveals allegations very similar to ones in the instant petition to cancel: opposer's predecessor coined the term PYCNOGENOL; opposer and its related companies have manufactured, distributed and sold the goods, licensed use of the mark and goods in the United States; and that applicant had been a U.S. distributor for opposer and had no right to file its application; and that applicant's application for registration contained false declarations and representations.

On October 6, 1992, the opposition was dismissed with prejudice upon applicant's, Horphag Research Ltd. (by merger

trademark and patent infringement action against Consac. All claims and counterclaims were dismissed with prejudice pursuant to a settlement agreement.

On March 14, 1996, Horphag and MW moved the Eastern District of New York to join INC and Schwitters to the then closed case under Fed. R. Civ. P. 25(c) and 71. The court granted the motion, finding INC and Schwitters to be successors in interest to SCERPA and SCIPA and ordered them bound by the dismissal of the cross-claims and ordered INC to withdraw Cancellation No. 24,301 filed September 15, 1995 against Horphag, which it did. INC and Egbert Schwitters appealed the order of the Eastern District of New York that joined them as parties. The Federal Circuit vacated the order, finding that the Eastern District of New York order was improper because the case had closed and the order was devoid of findings of fact on the relationship between INC and Schwitters and SCIPA and SCERPA.

with Horphag Overseas Ltd.), motion for failure to prosecute.¹²

While it is clear that these parties have been engaged in numerous proceedings with each other, we need look no further than the opposition proceeding to make a determination on *res judicata*. The defendant is the same. We find that INC is a successor in interest to SCERPA, thereby making the plaintiffs the same. See, Mother's Restaurant, Inc. v. Mama's Pizza, Inc., 723 F.2d 1566, 1572-73, 221 USPQ 394, 399-400 (Fed. Cir. 1983).¹³ The first proceeding before the Board involved the same set of facts and transactions that are the basis for this proceeding. The facts that Opposition No. 84,755 was not pursued due to financial difficulties, and that the arguments surrounding

¹² Mr. Schwitters states that he was informed that after he left Holland Health, Mr. Peter Mulder, the then sole-director, did not pursue financing SCERPA's opposition (Schwitters dec. para. 6). Mr. Masquelier states that the opposition was funded by Holland Health and Holland Health was unable to continue with the opposition due to business problems between the partners. (Masquelier dec. para. 15).

¹³ In Mother's Restaurant, a trademark licensee asserted the licensed mark in an infringement action and lost. The owner of the trademark was later estopped from litigating an issue decided in the earlier action, because the licensee was found to be its agent. The trademark owner had agreed to pay the licensee's legal fees related to trademark protection, and the owner also reserved the right to settle or discontinue such proceedings. As a result, the court held that the trademark owner was bound, because it was the real party in interest in the earlier proceeding.

the Paris Convention were not raised,¹⁴ do not change the legal principle involved:

[w]hen a valid and final judgment in an action extinguishes the plaintiff's claim pursuant to the rules of merger or bar ..., the claim extinguished includes all rights of the plaintiff to remedies against the defendant with respect to all or any part of the transaction, or series of connected transactions, out of which the action arose.

Restatement (Second) of Judgments §24(1) at 196.

Under claim preclusion a plaintiff is barred from a "subsequent assertion of the same transactional facts in the form of a different cause of action or theory of relief." See, Vitaline Corp. v. General Mills Inc., 891 F.2d 273, 13 USPQ2d 1172, 1174 (Fed. Cir. 1989). Further, the fact that the first judgment was a result of opposer's (now petitioner's) failure to prosecute and not of a full trial, is not fatal. Generally, default judgments, consent judgments, judgments upon stipulated facts, and, where permitted, judgments by confession, are all considered final judgments on the merits for the purposes of res judicata. See Chromalloy Am. Corp. v. Kenneth Gordon, Ltd., 736 F.2d 694, 222 USPQ 187 (Fed. Cir. 1984)(consent judgments); U.S. Soil, Inc. v. Colovic, 214 USPQ 471 (TTAB 1982)(consent

¹⁴ Petitioner's claim of fraud not only could have been litigated in its predecessor's first proceeding before this Board, but it in fact was raised.

judgments); and Bass Anglers Sportsman Soc'y v. Bass Pro Lures, Inc., 200 USPQ 819 (TTAB 1978) (default judgments).

Based on our finding that the parties involved in Opp. 84,755 and this proceeding are the same, that the same act or occurrence involved in both cases is the same, and that judgment has been entered in the prior proceeding against petitioner, respondent is entitled to judgment as a matter of law based on *res judicata* and its motion for summary judgment is hereby granted.

The petition to cancel is hereby dismissed.

R. F. Cissel

T. J. Quinn

P. T. Hairston
Administrative Trademark
Judges, Trademark Trial
And Appeal Board